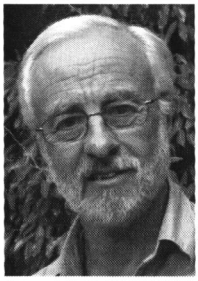
COMMUNICATIONS

THE CRISIS OF NEOLIBERALISM



Questions to
Gérard Duménil
and
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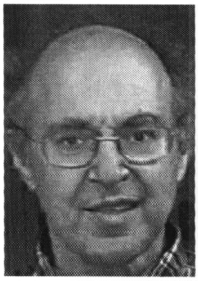

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Abstract: At the end of the first decade of the 21st century, the world entered into a major crisis, the fourth structural crisis in the history of modern capitalism. The crisis is not the effect of the declining trend of the profit rate as was the case in the previous structural crisis during the 1970s. Like the Great Depression, it was the consequence of the endeavor on the part of capitalist classes and their allies in the upper fractions of management to remove all national and international barriers limiting their quest for power and income. The crisis began in the United States and was caused by the convergence of two categories of mechanisms, the progress of globalization and financialization, on the one hand, and the macro trajectory of disequilibria of the US economy. It was exported to the rest of the world.

The potential conflicts among the fractions of ruling classes open new opportunities for the struggle of popular classes. Given the weakness of class struggle in comparison to the interwar years, the emergence of a social order similar to the social-democratic order of the first postwar decades is, however, unlikely. The new social order that will follow the crisis might well be determined by the establishment of a new compromise among the various fractions of upper classes, capitalist classes and managerial classes. A "Center-Right" option would mean a new leadership of managerial classes, capable of implementing the reforms and enacting the strong policies required for the restoration of the economic situation and the slowing down of the decline of US hegemony. This decline and the corresponding emergence of a multipolar world open

opportunities for the countries of the Periphery in search of an increased autonomy vis-à-vis the imperialist framework of neoliberal globalization.

Key words: neoliberalism; crisis; social classes; social orders; US hegemony; post-neoliberalism

The title of your recent book by Harvard University Press is The Crisis of Neoliberalism *(January 2011). Could you give a brief definition of neoliberalism? In what sense is it a "class phenomenon"? How is it possible to refer to a "success" of neoliberalism?*

A few years ago, we coordinated a special issue of *Actuel Marx*,[2] entitled "The End of Neoliberalism?" It was a collection of essays devoted to the nature, the contradictions, and the future of neoliberalism.[3] Concerning our contribution, it was in no way our first exposition on the nature of neoliberalism, a central theme of our research since the mid-1990s.

Was it possible to foretell the *end* of neoliberalism? The mere fact of raising the issue was the clear expression of a degree of consciousness of the necessary limitation in time of this phase of capitalism. None of the authors contributing to the issue had, however, forecasted either the modalities or the speed and violence of this outcome. But, finally, neoliberalism is in crisis, and it will not recover unscathed.

Neoliberalism is a phase of capitalism into which it entered at the transition between the 1970s and 1980s. Its establishment must be understood as a political event, in which all aspects of the economy were involved. Its objective was the increase of the income and wealth of upper classes. It can be interpreted as a process of "restoration" since the progress of the income of these classes had been moderated during the first decades following World War II in comparison to the rest of the population. Considered from the class viewpoint proper to this objective, neoliberalism was an astounding success, as the income of upper classes grew tremendously. This is a well-known observation. Neoliberalism dramatically increased income inequalities in the United States, in Europe, and within the Periphery.

The means used to achieve this reversal are rather familiar. A new discipline was imposed on workers. Tougher labor conditions, the stagnation (or regression) of purchasing powers, the erosion of welfare protection, and so on were the main aspects of this increased pressure on labor. Management was narrowly targeted to the interest of shareholders. Up to the year 2000, interest rates remained considerably higher than inflation rates. The main objective of macro policies became the control of price stability, rather than growth and the limitation of unemployment. Financial mechanisms were wildly deregulated. Free trade and the free international circulation of capitals were imposed by governments around the globe, thus allowing

the deployment of transnational corporations worldwide. These two latter aspects define what is known as "neoliberal globalization."

This new *social order* radically upset the previous configuration typical of the first postwar decades. Despite the violence (colonial wars, Vietnam War, and the like) proper to these earlier decades and ecological devastation, the postwar period manifested a number of "progressive" features—the progress of the purchasing power of the bulk of wage-earners, financial regulation, policies in favor of development and employment, etc.—with significant differences among countries.

You used the phrase "upper classes." Could you explain the notion? The class patterns prevailing within the upper spheres of social categories have been a constant theme of investigation in your previous work. Who benefited from neoliberalism among those groups? What do you mean by "Finance"?

One important aspect of our analytical framework is the central role conferred on managerial classes, an analysis that echoes the perspective of what was called "Managerial capitalism" in the United States. To us, *management* refers to a social relationship, besides the *ownership of the means of production* in the strict sense, a component of class patterns. In this respect, there is a convergence between Jacques Bidet's analysis and ours, even if the basic conceptual framework is not fully identical. Bidet sees in *organization* a "class factor" (a factor in the determination of class patterns) besides *ownership*. In our view, class patterns are "tripolar" (a ternary setting): capitalist classes, managerial classes, and popular classes. By "popular classes," we mean production workers and other lower ranking wage-earners (commercial-clerical workers).

By "upper classes," we jointly refer to capitalists and managers. These two classes benefited from neoliberalism, but their role in the implementation of neoliberalism was not the same, and their position within neoliberalism remains also distinct. During the period of emergence of neoliberalism, capitalist classes assumed a leadership. More specifically, we denote as "Finance" the upper fractions of capitalist classes and large financial institutions. This Finance led the struggle leading to the establishment of neoliberalism. Nothing would have been possible, however, in the absence of the collaboration of managerial classes, notably financial managers that gradually became central actors in these dynamics. We denote this alliance as the "neoliberal compromise." Again, one must emphasize that significant differences are observed among countries. For example, for historical reasons, the adhesion of managerial classes to the objectives and ideology of neoliberalism was slower in France than in the United States.

Did your analysis of neoliberalism evolve from your earlier book Capital Resurgent *to* The Crisis of Neoliberalism*? What were the social foundations of the alliance or the "hybridization" process between these various segments of social classes, as described in the book?*

From one book to the next, we certainly deepened our understanding of social relations. We developed the original framework of analysis long ago, but the recent book elaborates on new empirical observations. Notably, the rise of the share of upper wages within total income appears as a new trend of crucial importance. In the United States, no overall decline of the share of wages is observed. Thus the rising share of upper wages mirrors the distinct dynamics of this category of wages (not exclusively very high wages). It is not possible to approach these trends in terms of *fractions of surplus-value* and *value of the labor power*, considering all wages globally. The bipolar approach no longer matches the features of contemporary capitalism. Three components must be distinguished: (1) profits, whose share in total income grew; (2) upper wages, whose share also increased; and (3) the wages of the great mass of wage-earners, whose share diminished. Marxism can only gain from such an updating of its social framework.

The current crisis clearly emphasizes the importance of managerial classes in contemporary capitalism. Very high wages, the golden parachutes of upper executives, the bonuses of traders and other forms of supplements are major themes in the criticism of the excesses of neoliberalism. This is, however, only the emerged tip of the iceberg, since much more than top executives are involved. In addition, it would be difficult to discuss the future of neoliberalism, independently of these managerial logics.

In the analysis of the relationship between the upper fractions of capitalist classes and top managers, we use the notion of "hybridization" to refer to a form of convergence between social positions: capitalists increasingly benefiting from high wages, and high managers gradually entering further into the sphere of capital ownership due to their high incomes. At the top of social pyramids, it becomes more difficult to distinguish between capitalists and managers. Much empirical and theoretical work remains to be done.

The book extensively uses a typology of various "social orders," the expression of class dominations and the corresponding compromises. Could you summarize the main aspects?

At the basis of this analysis is the ternary framework of class patterns, capitalists, managers, and popular classes. By "social order," we denote the prevailing configuration of powers among classes, dominations and compromises. A first

criterion is the location of the compromise, either between capitalist classes and managers or between managers and popular classes. In the first instance, the compromise is established *toward the Right*; in the second instance, *toward the Left*. In this respect, the neoliberal compromise is a compromise to the Right, and the postwar social order, a compromise to the Left. This first criterion must be combined with a second. Which social class assumes the leadership in each compromise? For example, in the implementation of neoliberalism, capitalist classes led the movement. Under such circumstances, the compromise can be rather unambiguously situated "to the Right." But such a compromise to the Right could also exist under the leadership of managerial classes, a social order to be located to the "Center-Right." Symmetrically, if managerial classes assume the leadership, the compromise between managers and popular classes can be denoted as "Center-Left," as during the first postwar decades. A popular leadership would mean a compromise truly to the Left.

The book distinguishes between neoliberalism, globalization, and financialization. What are the differences? In what respects is the notion of "imperialism" relevant to the analysis of neoliberalism?

Globalization and financialization hark back to *historical processes*, typical of capitalism in general. Neoliberalism refers to a *phase* of capitalism. The three notions are often confused. This is due to the fact that neoliberalism caused a sharp acceleration of the two former processes. Neoliberalism actually woke up the old capitalist demons that the postwar compromise had never fully exorcized.

Consider, for example, the framework of international economic relationships. The Bretton Woods agreements in 1944 had introduced limitations to free trade and the free international movements of capitals. The United States never fully accepted this new framework and, from its first steps after World War II, began to act in favor of its elimination. Neoliberalism led the task to completion. The reason underlying this determination on the part of the United States is simple, and relates to the second part of the question concerning imperialism. Imperialism remained a central feature of the first postwar decades. Beginning during the interwar years, a number of countries, as in Latin America, developed models of industrialization based on "import substitution," a form of resistance to the imperial features of the international division of labor. This meant strong protections against importations. Even if such development policies were tolerated for a few decades, the most advanced countries could not accept such frameworks.

The answer to the second part of the question can be summarized in a few words: "Neoliberal globalization" means "imperialism in the neoliberal era."

In the crisis of neoliberalism, you see the fourth structural crisis since the end of the 19th century. What is a structural crisis? What are the various types of such crises? Can the contemporary crisis be imputed to a decline of the profit rate as assumed in the name of a certain Marxist orthodoxy?

In *Capital*, Marx pointed to periods of broad perturbation following phases of declines of the profit rate. Such situations were seen as distinct from the recurrent "crises" proper to business-cycle fluctuations, the repetition of what is now known as a "recession." We use the phrase "structural crises" to refer to such periods of perturbation, another way of saying "large crises." But profitability crises are not the only type. Capitalism also underwent distinct processes that we call "crises of financial hegemony."

Beginning in the late 19th century, four such structural crises can be distinguished: the crisis of the 1890s, the Great Depression, the crisis of the 1970s, and the current crisis. Two crises, the first and third ones, can me imputed to phases of decline of the profit rate, but neither the Great Depression nor the current crisis. In these two latter instances the profit rate was entering into phases of limited recovery. The common point between these two crises was that they occurred during periods of "financial hegemony," that is, phases in which the domination of capitalist classes, supported by their financial institutions, was unchallenged or almost so. The first financial hegemony was led by the new great bourgeoisie of the beginning of the 20th century, having to a large extent delegated managerial functions to managers (the effect of the managerial revolution). Neoliberalism can be interpreted as a second financial hegemony. In both cases, however, the existing social order was destabilized by large crises in which a broad segment of the financial system was destroyed and production plunged.

The mechanisms typical of a crisis of financial hegemony are distinct from those accounting for a profitability crisis. They manifest the unsustainable character of social practices leading to the removal of all limitations to the extension of capitalist domination and to the unlimited expansion of the wealth of these classes. This is the common point between the Great Depression and the current crisis. Concerning their social basis, the main difference between these two crises of financial hegemony is the larger role played by the upper fractions of managerial classes in the present crisis.

What are the main aspects of these unsustainable practices?

Two major aspects must be emphasized. The first aspect is the broad set of mechanisms related to financialization, notably financial globalization and the quest for high incomes by all means. The second aspect is specific to the United States. It

is the economic (macroeconomic) trajectory of this country, in particular the growth of domestic and external indebtedness. It is the convergence of these two sets of mechanisms, in the context of the housing boom, which created the conditions for the crisis and explains its specific features.

The relationship between the excesses of financialization and globalization is rather easy to understand. But in what sense was the quest of high income on the part of upper classes unsustainable? You suggest that the demands of upper classes in this respect led to the production of a "fictitious surplus." What do you mean?

In a sense, it is possible to contend that the two first elements, financialization and globalization, were *means* in the achievements of the third element, the quest for high incomes at the top of the income pyramid, the *objective* of neoliberalism. The limits that the New Deal and the postwar compromise had placed on the expansion of financial mechanisms, on financial globalization, and on the development of transnational corporations, were gradually lifted. Such trends were already manifest prior to neoliberalism, but a tremendous acceleration occurred during the three decades of neoliberalism. Actually, neoliberalism has, itself, a history in which various phases can be distinguished. The establishment of neoliberalism during the 1980s was difficult, including in the United States; the 1990s marked an acceleration (and the extension to other regions of the world, with repeated crises); and in the 2000s, a form of explosion was observed.

Deregulation, the ensuing wave of financial innovation, the growth of financial investment within each country and worldwide, the growth of the investments of transnational corporations (direct investments abroad), etc., were all means aiming at the increase of the income of upper classes. New accounting procedures (in which assets are estimated at prices prevailing on markets or calculated by mathematical models) and the externalization of risky financial assets out of balance sheets are typical of the procedures that inflated the assessment of profits. These profits became *fictitious* to a significant extent and, simultaneously, justified the payment of tremendous *real* supplements (bonuses, stock-options, and the like). The border between collective blindness and swindle was blurred. Deregulation and the preponderance of global financial mechanisms over domestic mechanisms deprived monetary authorities of their ability to control these mechanisms. The analysis of these trends is an important component of the demonstration in the book.

What do you mean by "trajectory of the US economy"? In what sense is it unsustainable? What is the link between the quest for high income on the part of upper classes and the slowdown of accumulation on US territory?

The main components of the trajectory of the US economy are: (1) the gradual decline of the rate of accumulation of nonfinancial corporations and the rise of households' consumption; (2) domestic indebtedness; (3) the deficit of foreign trade and the corresponding financing of the US economy by the rest of the world. As a result of the rise of real interest rates (up to 2000), of the lavish distribution of dividends, and of the buybacks by corporations of their own shares, neoliberalism was at the origin of a process of disaccumulation on the part of nonfinancial corporations. Profits are less and less conserved by corporations to the end of investment, as they are more and more paid out as income to the benefit of high income brackets. The large flows of capital income and the high wages paid to households provoked the tremendous rise of the expenses of households (consumption and housing), despite the stagnation of the purchasing power of the great mass of wage-earners. This trajectory can be interpreted as a mix of *overconsumption* and *under-accumulation.* Saving rates plunged to negative values.

A problem with this expansion of demand could have been the rise of inflation. But, in the context of globalization, a growing share of this demand was directed toward foreign countries, generating a flow of imports increasingly larger than the US exports toward the rest of the world. There was no other means to sustain the demand still directed toward local producers than to stimulate total demand, despite its excessive volume. To this end, it was necessary to entice US potential buyers into debt by way of a lax monetary (that is, "credit") policy. As a growing fraction of this demand benefited foreign producers, the deficit of trade increased in parallel to the rise of domestic loans, and this external deficit caused the growing financing of the US economy by the rest of the world.

What was the role of the expansion of credits during the last stages of the progress of financialization? In what sense was the growth of mortgages not simply the expression of deficient regulation but one link within an overall chain of macro mechanisms? Or, to formulate the same question differently, why did the US housing sector destabilize the financial sector?

After 2000, the growth of households' debt was rapid, mostly on the part of upper income brackets. Gradually, more and more households with low or uncertain income were also involved. This is where the now well-known devices of *subprime* loans, securitization, and insurance against defaults played a central role. But all these devices were only the most conspicuous part of the overall explosion of financial mechanisms (in particular, derivative markets) after 2000. Thus, the relationship between the macro trajectory of the US economy and the expansion of financial mechanisms is easy to understand. Its two facets, national and international, are

involved, given that about one half of the securities resulting from securitization (asset backed securities) were sold to foreign investors.

The first manifestations of the dubious character of these loans (when the first signs of delinquencies were observed) acted like a seismic wave, destabilizing an otherwise fragile financial structure. The early symptoms were a growing reciprocal suspicion among financial institutions, resulting in a liquidity crisis on the interbank market (the lost capability to obtain short-term financing from other banks when necessary). Upper classes had drawn huge income flows from *expected* profits, fictitiously embodied within the value of the financial assets of financial corporations, often dramatically overvalued. The adjustment downward of these values provoked dramatic losses in the accounts of these corporations, often considerable fractions of the own funds of these institutions, causing the fall of stock-market indices and the wave of bankruptcies.

Obviously, a stricter financial regulation (notably the preservation of the earlier New Deal framework) would have prevented such developments. First in the list of possible measures, comes the prohibition of subprime loans (impossible in a country like France); second, the prohibition or the strict regulation of securitization as conducted by private, unregulated, "vehicles," or its limitation to the big agencies or Government sponsored enterprises (such as Fannie Mae). The regulation of insurances on defaults and derivative markets was a third possible component. If such measures had been taken, the problem would, however, have been met through distinct channels, since the levels of demand to domestic producers had to be maintained by expansive credit policy, given the fraction of this demand directed toward foreign producers. The earlier statement must be repeated here. The growth of the domestic debt was a requirement in defense of economic activity on US territory. A substitute for the growth of the debt of households was the growth of government debt, as became obvious in the treatment of the crisis.

The role of government spending, in particular military expenses, is frequently emphasized as an important factor in the stimulation of demand after 2001. What is your assessment?

We already implicitly answered this question. After 2000, the main factor accounting for the stimulation of demand was the rising debt of households—not government expenses, not even to a limited extent.

Referring implicitly to the view that efficiency and social justice come together, Keynesian or Kaleckian economists frequently contend that the crisis was the consequence of the bias in income distribution in favor of upper income brackets.

This view is also commonly held within the radical Left in France. What do you think?

This diagnosis is formulated in various manners. The simplest form refers to the respective shares of wages and profits within value added. "Profits" are defined in a broad sense, including government revenue, a much larger fraction of income than profits proper. The idea is that this supposedly diminishing share of wages had a negative impact on the overall level of demand. A first problem with this interpretation is that the share of wages did not diminish in the United States, the country in which the crisis originated. As stated earlier, the current crisis is neither due to overaccumulation or under-consumption. It must rather be interpreted as a crisis of *overconsumption* and *under-accumulation.*

A more sophisticated view elaborates on the observation that the bias in income distribution is concentrated within total wages, to the detriment of the great mass of wage-earners, in particular the lowest brackets. We are told that, as a reaction to the stagnation or regression of their purchasing powers, these households—the victims of neoliberalism—resorted gradually more to mortgages. (In the United States, such loans are used not only to finance residential investment but also consumption expenses.) Thus, a direct link is established between stagnating or declining purchasing powers and the growth of indebtedness. A first problem with this interpretation is that rules exist in a country to limit borrowing, either based on borrowers' capability to pay or responding to the management of the macroeconomy. The lax character of these rules and the requirement of macro policies (as explained earlier in relation to the disequilibria of the US economy) are involved here, not the excessive eagerness of households to borrow. A second problem is that the crisis was caused by a broad set of mechanisms besides subprime lending.

Abstracting from the ecological implications of growth, the struggle for the progress of the purchasing power of the great mass of wage-earners is, obviously, justified. And this is all the more true within a social order in which profits are distributed lavishly to the upper income brackets and, only to a small extent, used to support growth and employment. But it is not true that the decline of purchasing powers was a significant cause of the crisis or that the rise of purchasing powers would have avoided the crisis.

It is difficult to convince people in this respect since the explanation of the crisis by deficient purchasing powers is so simple that it is easily understood. It is also "politically correct" and efficient. These reasons explain why it is often put forward by the activists of political parties or other organizations but, from the viewpoint of economic mechanisms, it is wrong.

A number of economists emphasize the role of macro policies. They contend that important mistakes were made, notably Alan Greenspan's lax conduct of monetary policy. Could such statements be, correspondingly, understood as implicit justifications of the restrictive policies implemented in Europe since the early 1990s?

This statement is evocative of the analysis of the Great Depression by Milton Friedman and Anna Schwartz, imputing the severity of the contraction to a mistake in the conduct of monetary policy. This interpretation is not convincing.

During the second half of the 1990s, production was sustained in the United States by the boom of information technologies. The boom temporarily hid the underlying downward trend of accumulation. When the boom came to a halt in 2001, the recession was severe. As is traditional in the conduct of monetary policy, Greenspan reacted by lowering the Federal funds rate. This policy was pushed to the limit, as rates were diminished to levels inferior to inflation. But the contraction of growth rates was long and difficult to reverse despite the stimulation of residential investment. This determination was not the expression of Greenspan "laxness" but of the requirement to boost the economy, given that the basic tenets of neoliberalism were considered sacrosanct. From the first steps of the recovery, Greenspan began, without delay, to raise interest rates—17 small steps upward of 0.25 percent each, up to 5.25 percent. Simultaneously, Greenspan was bitterly complaining that these increases were not passed on to mortgage rates. And the housing boom continued. In 2006, during the last step of this boom, the wave of delinquencies rose rapidly to dramatic proportions. Then, the situation was out of control.

It is a deep-seated belief in the European Left that, on average, the interest rates of the European Central Bank (ECB) are higher than the Federal funds rates. Despite the hostile stand of the ECB toward inflation, this assertion is deprived of empirical foundations. The interest rates of the ECB are not larger than those of the Federal Reserve. There is no "worse" neoliberalism in Europe than in the United States in this respect. The crisis came from the United States, not from Europe, for reasons which were introduced earlier. On the one hand, the United States acted as leader concerning the basic neoliberal trends such as financialization, globalization, and the quest for high income. On the other hand, the international hegemony of the United States gave the country the opportunity to continue a trajectory of growing disequilibria for almost three decades.

Many criticisms can be made of Greenspan, notably his blind faith in the discipline of markets and, correlatively, his determination to deregulate, but not a lax monetary policy. Greenspan is not more or less responsible for the contemporary crisis than other neoliberal leaders in the world. Involved is not a mistake in the conduct of monetary policy but a collective political crime against humanity, the

utmost violence toward their own people and all peoples around the globe by ruling minorities in neoliberalism.

What are the main disequilibria the US economy must confront in order to correct its trajectory and maintain its international domination? You refer to a process of "re-territorialization" of production. In what sense?

The assertion that a country like the United States spends more than its income is equivalent to the statement that the country imports more from the rest of the world than it exports to the rest of the world. Correlatively, the rest of the world lends money to the United States. A more accurate formulation is that the rest of the world "finances" the economy of the United States, since this support is not limited to loans in the strict sense but also includes the purchase of stock shares issued by US corporations. From the viewpoint of the US economy in general, "spending more than income" means "borrowing." The domestic and the external debts are the two faces of the same coin. *The consequence is that the domestic debt and the trade deficit had to be jointly curbed.*

How can the United States jointly control the two trends toward increasing disequilibria? One possible answer is "protectionism." This policy would, however, jeopardize the entire system of transnational corporations, the main pillar of the US hegemony. By increasing international competitiveness? This would require a revolution in neoliberal management, jointly with efficient policies in favor of industry.

Another option would be to let internal and external debts grow, as was the case prior to the crisis, but mastering the corresponding risks. Is there a less risky way of increasing the debt of households than the one used prior to the collapse of the housing market? Can the government debt grow indefinitely? And will foreign countries go on financing the US economy? Very difficult.

In any case, the domination of the United States will not be preserved in the long run without a re-territorialization of production, that is, new dynamics of local production. Is it compatible with neoliberal options? The Obama Administration dreams of a new boom of green technologies evocative of the boom of information technologies. This nostalgia for the type of neoliberalism that worked apparently well during the second half of the 1990s and marked the heydays of this social order can be easily understood. But a boom of technologies is not the sort of thing that can be "decided" from above. The difficulty would be to lead such a movement, ahead of other countries, and to preserve this advance. To initiate such a boom would already be a deed.

You consider that the new post-neoliberal social order in preparation could mean the end of free trade and the free mobility of capital. On what grounds did you come to this conclusion? You repeatedly refer to national models of developments. What is the relevance of such frameworks within the contemporary globalized economy? Do countries and states enjoy a sufficient degree of autonomy?

Given what has just been said, one will understand that our viewpoint concerning free trade and the free movements of capital is more nuanced. Considering the situation of the United States, we believe that it will be extremely difficult, almost impossible, for this country to correct its economic trajectory within the framework of neoliberal globalization. Concerning the countries of the Periphery, we consider that the preservation of the neoliberal framework is not a desirable option.

Numerous protectionist measures have already been taken in the United States, concerning for example the restrictions posed to foreign direct investment in the name of "national security." It is very likely that these trends will be continued. Between economic super-efficiency and protectionism, the race is already on, and it is difficult to foretell the outcome. But the cost of protectionism would be such for transnational corporations that it is difficult to consider seriously the option of a stark reintroduction of international barriers to trade.

With respect to the rest of the world now engaged within the neoliberal international division of labor—a highly imperialist configuration—the cost of protectionism could be large in the short run. This would mean redirecting national economies toward new paths, away from the trajectories along which they are now progressing. The book refers to the frameworks of industrialization by import substitution as implemented after the Great Depression in Latin America. If the viewpoint here is more "normative" than "predictive," we believe that this is the path that should be followed but, rather, within a context of "regionalization," meaning regions of the world. New autonomies must be established—re-established—but not in the direction of isolationism. The "unwinding" of neoliberalism globalization is, however, an urgent task.

The previous crisis to which the current crisis can be more adequately compared is the Great Depression. What can be learnt from the New Deal and the first postwar decades concerning a post-neoliberal perspective?

A widely held view in France, concerning the New Deal, is that deliberate large deficits were the main component of the policy package. If it is true that deficits were large during the 1930s, this situation was much more a consequence of the Depression than the outcome of an active policy. (Deficits increased during the first phase of the crisis under the Hoover Administration.) Important public works were

undertaken to fight unemployment and "prime the pump," according to the phrase used in those years, but there were no "deliberate" deficits.

The New Deal must be understood as a broad political phenomenon, in which social alliances were reshuffled and the interests of Finance immediately contained by new regulations and taxes. Officials in the administration played a pivotal role, promoting the direct action of the Government. The Roosevelt Administration rapidly sought alliance with unions to confront employers, challenging "big business" and big capitalist owners. A new legislation was implemented aiming at an improved recognition of the rights of workers, supplemented by welfare measures such as the public retirement system known as "Social Security." (This system is still, today, the main source of income for a large fraction of elderly people.)

The analysis of the period also reveals that the balance of social forces in the new social compromise between managers and popular classes was significantly altered at the end of the war. The new content of the compromise involved the moderation of the measures taken in favor of popular classes and of those intending to limit capitalist interests. The outcome was a "Center-Left" compromise. The course of events in France, from the Popular Front to the postwar social democracy, was not very different.

What could be the nature of a post-neoliberalism? A social compromise similar to the one that prevailed after World War II?

Among the possible alternatives to neoliberalism, it seems quite natural to think of a return to a social order similar to the postwar compromise. Neoliberalism disarticulated this compromise; the fall of neoliberalism would lead to its restoration. During the two financial hegemonies, the unchecked domination of capitalist classes led to the unsustainable exacerbation of mechanisms aiming at the maximization of upper incomes, and it is certainly difficult to imagine that neoliberal trends will be prolonged after the crisis. The requirement of new controls is now urgently felt. In addition, in the United States, the dimension of the task to be performed to fend off a sharp decline of the international hegemony of the country renders such an adjustment all the more necessary. In the set of alternative social orders two other options are opened. Besides a "Center-Left" configuration under the leadership of managers as after World War II, one should not overlook the other possible option, still a compromise to the Right but in which the leadership would be transferred to managerial classes—a "Center-Right" configuration. In such a society (and economy), the action of financial institutions would be limited and the power and income of capitalist classes contained, but both "to some extent." The basic features of a compromise to the Right would be preserved, notably the concentration of income at the top of social hierarchies.

What would be the fate of popular classes? Probably not much better than during thirty years of neoliberalism.

The prevalence of one or the other option will be determined by a combination of, on the one hand, mere economic requirements and imperial strategies (the preservation of the hegemony of the country worldwide) and, on the other hand, the direction and the radicalism of social struggles. What resistance would capitalist classes oppose to the end of their leadership? Entering a new compromise in which capitalist classes would no longer act as leaders supposes a sufficient degree of "flexibility" on the part of these classes (the capability to adapt to new historical circumstances). Or would capitalist classes balk at this comparative demotion? Abstracting from these rivalries among upper classes, the crucial factor will be the capability of popular classes to push in the direction of a new social compromise to the Left.

Given the reference of a post-neoliberalism, should we link it to the end of US hegemony? You refer to a "new global governance."

Between neoliberalism and international hegemony there is no strict relationship. The continuation of neoliberalism after the crisis could mean the end of US hegemony—given that, most likely, it would initiate a shift toward a "more extreme" Right. If it were efficiently conducted, a "Center-Right" option, as suggested above, could considerably prolong US hegemony (slow down its decline). The outcome will also depend on the action of potential challengers on the part of the so-called emerging countries. A likely scenario is the continuation of the downward trend of US hegemony, whatever its rapidity, but this does not imply the establishment of a real "substitute" to the towering power of this country, substituting China for the United States. Involved is rather the gradual emergence of a multipolar world, around regional leaders: the United States in the North Atlantic world, Brazil in South America, China and Japan in Asia.

Such a configuration emphasizes the requirement of the dramatic strengthening of the power of international institutions, the embryonic forms of a "world state." In the economic sphere, global regulatory frameworks and policies are, and will more and more be, as necessary as within individual countries. The current crisis testifies to this requirement. The question is straightforwardly posed of an increased role of the IMF to support countries confronting a shortage of foreign reserves. And, underlying these mechanisms is the much more fundamental issue of the creation of a genuinely international currency to which the United States directly opposed after World War II.

Note that, referring to the emergence of a global state, we do not point to the "politically correct" framework of "the democracy of the citizens of the world," but

to an emerging global state determined by inter-imperialist hierarchies, themselves the echoes of class hierarchies.

What are the new perspectives opened by the structural crisis for popular classes within countries of the center and the periphery?

As during any other period of major perturbation, the current crisis creates new opportunities but, obviously, the crisis does not predetermine any outcome. The example of the interwar years is quite telling in this respect. The various experiences of intense class struggle during these decades led to social configurations as distinct as the New Deal, the Popular Front, or Nazism.

In each country, class struggle on the part of popular classes must take advantage of the opportunities created by the tensions prevailing among the fractions of upper classes. A government aiming at a degree of contention of capitalist interests may seek the support of popular classes. President Obama will not be able to implement the necessary transformations without such a support, and the welfare component of his program (notably concerning health insurance) reveals a degree of consciousness of this requirement. But it is easy to understand that the issue here is one of "degrees," and that the situation is highly unstable (and susceptible to reversal). "Pushing" along the appropriate path is the historical responsibility of popular classes. In a country like France, whose present government straightforwardly embodies the interests underlying the neoliberal endeavor and where the "Left" can ambition to win the elections adhered to neoliberal options, the requirement to fight is no less acute.

Internationally, the emergence of a multipolar world also creates significant opportunities. As during the first decades after World War II, there is a relationship between international hierarchies, on the one hand, and the various options opened to the peoples of particular countries to move toward alternative social orders, on the other hand. The *bipolar* configuration of the postwar decades was a crucial factor contributing to the emancipation of "third-world" countries in the Periphery as in the Bandung conference. The contemporary movement toward a *multipolar* world could have similar effects. But, again, the capability to organize and struggle remains the central factor.

This new context creates a possibility for an enhanced differentiation of social orders within distinct countries, notably within the Periphery. Straightforwardly, this means that a number of countries could progress along "social-democratic" trends, as a few countries did in Latin America in their determination to resist neoliberal pressures while other countries continued their path to the Right. In a multipolar world, the chances of political diversity are larger, and this opens opportunities to the peoples in search of emancipation.

Notes

1. This is a translation by Gérard Duménil of the *entretien* published in *Actuel Marx*, #46, Second Semester of 2009. A few adjustments have been made by the authors.
2. "La fin du néolibéralisme," *Actuel Marx*, #40, Second Semester 2006.
3. By Samir Amin, Giovanni Arrighi, François Chesnais, Gérard Duménil and Dominique Lévy, and David Harvey.